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SUBJECT: CONFERENCE PROMOTES CARIBBEAN ENERGY DIVERSIFICATION

REF: PORT OF SPAIN 1040

11. Summary: Caribbean Energy Ministers met in Port of Spain September 6-8, 2006, at the "Energy and The Competitiveness of The Caribbean" conference to discuss opportunities for developing renewable energy to reduce the region's dependency on foreign oil. The goal of the conference was to illuminate the challenges, opportunities and path forward for realizing a more diversified energy sector in Caribbean countries. Noting current high oil prices and their impact on the region's development, several ministers raised concerns over national security and voiced frustration about a perceived lack of help from the international community. USG underscored our commitment to be part of the solution to addressing the region's energy challenges. DOE delivered a strong message about the need to diversify the region's energy mix in order to overcome the long-term challenges associated with petroleum dependence. IDB President Moreno announced the creation of an Infrafund that will increase funding for energy infrastructure, as well as other efforts to increasing financing for Caribbean energy projects. Brazilian officials expressed their government's willingness to cooperate with the Caribbean on ethanol.
End Summary.

Conference Dynamic and Key Themes

12. The Department of Energy (DOE), Government of Trinidad and Tobago, Inter American Development Bank (IDB), Caribbean-Central American Action (CCAA), and United Nations Development Program (UNDP) sponsored the event, which was well-attended by a dozen Caribbean/CARICOM energy ministers, Aruba's Prime Minister, as well as financial institutions and regional and U.S. private industry (international oil companies and suppliers of alternative energy). USG delegation included DOE, State, OPIC, and USTDA officials. Information on the conference, including selected presentations, is accessible on the CCAA website: <http://www.c-caa.org/>

13. On September 5, immediately prior to the conference, Trinidad and Tobago Prime Minister Patrick Manning publicly criticized the United States, claiming that the U.S. is not focusing enough attention to the region (reftel). In the same speech Manning also criticized Venezuela's PetroCaribe initiative, warning of negative implications for regional energy security. While expressing different views on PetroCaribe (see para 10), Jamaican Foreign Minister Hylton echoed Prime Minister Manning's criticism of the U.S. in remarks to the press, noting that U.S. attention in Iraq has side-tracked its counter narcotics efforts in the region.

14. Trinidad and Tobago Energy Minister Lenny Saith opened the event September 7, noting Trinidad's key role as a regional energy supplier and reinforced that his country was doing all it could to help the Caribbean cope in the high oil-price environment. Conference discussion focused on reducing Caribbean dependence on foreign oil through increased renewable energy such as biofuels, wind, solar, ocean thermal/wave action technologies, and hydro

power. Though some Caribbean countries have already taken steps to diversify their mix, many conference participants pressed leaders for further action to promote the production and consumption of renewables. The conference format promoted full participation of participants, which allowed Ministers or their representatives to hear feedback first-hand. Most participants urged Caribbean officials to develop long-term energy planning and to attract much needed energy investment through harmonization of legal and regulatory standards and mandated usage of biofuels, such as ethanol blending with gasoline. (NOTE: Barbados and Jamaica have followed the U.S. lead and are in the process of phasing out MTBE. END NOTE)

15. A key concern expressed by Caribbean Ministers was the impact of high oil prices on development, with Dominica's and St. Vincent and the Grenadines' energy ministers accusing private industry of price gouging and failing to help the Caribbean mitigate the impact of high oil prices. Dominica's Energy Minister launched into a passionate description of the deleterious socio-economic effects the high prices were having on the small island nations, criticizing international oil companies and the U.S. for not helping the region that, he claimed, faces national security challenges due to high energy prices. In response, DOE A/S Harbert refuted claims that international oil companies are price gouging, noting that the USG recently conducted an extensive investigation into alleged price gouging in the United States and found no evidence that illegal pricing activities were taking place. Harbert further explained that oil prices are determined by supply/demand dynamics in the world market, that OPEC members are producing above quota in an effort to bring down prices, and that the vast majority of the world's oil reserves are controlled by state-owned oil companies, not private industry.

16. In discussing biofuels, ministers noted the need to balance food

PORT OF SP 00001372 002 OF 003

security with energy security, as increased biofuel production will place pressure on the agricultural sector. Montserrat's energy minister pointed to possible social dislocations that may occur if farmers produce other agricultural goods for biofuels production. A recurrent theme was the need for the Caribbean to maintain ownership over production processes. In response to an Exxon-Mobil representative's assertion that biofuels are not commercially viable and would require massive subsidies to succeed, a number of panelists pointed to the economic benefits associated with biofuel production, as well as other potential benefits including environmental benefits from cleaner energy, job creation, poverty reduction, and increased trade.

Financing

17. Private financiers, IDB, and the Caribbean Development Bank were optimistic that private capital is available for energy project, and they noted their eagerness to identify creditworthy projects. To help close the gap between available capital and developing stronger project proposals, IDB President Moreno announced the creation of an Infrastructure Fund named the "Infrafund." The Infrafund will begin with US\$20 million in grants, and its goal is to provide US\$12 billion in investment funds to Latin America and the Caribbean over five years. Moreno announced that the IDB will partner with Brazil on ethanol; support biofuels project including small-scale hydro, wind, and solar projects; commit US\$500,000 to fund two Caribbean focused programs for renewables and energy efficiency; carbon finance projects for CARICOM; and an environmental and social assessment of the impact of implementing a regional biofuels strategy. Caribbean Ministers and other regional representatives expressed frustration over the difficulty of accessing IDB, GEF and other IFI funds due to the apparent complexity of rules, arduous process, and ineligibility in some cases for applying to available funds. (NOTE: Jamaica and Trinidad & Tobago are members of the IDB, but nonmember countries can only access IDB funds through the Caribbean Development Bank. END NOTE)

¶8. Through CARICOM's Energy Task Force, the region has drafted a regional energy plan or blueprint that the Task Force intends to present to CARICOM Heads of Government in February 2007. Several participants expressed concern over how best to balance national energy planning within the regional context. CARICOM Energy Task Force Chairman Andrew Jupiter stated that the Task Force was committed to developing an overall energy strategy within which each individual member would be able to fit its specific energy policy. However, a recurring theme of the conference was the lack of regional planning, with some Ministers expressing the view that the CARICOM Energy Task Force was ineffective and needs to be revitalized.

¶9. Brazilian officials from the Ministry of Energy and Mines presented the Brazilian ethanol experience, which provided an excellent example of long-term and multi-sectoral planning to develop biofuels. Some noted that Brazil has been working the biofuels issue for more than 30 years, so the Caribbean has quite a ways to go. Antonio Simoes, Director of Energy for the Brazilian Ministry of Foreign Affairs, enthusiastically underscored Brazil's desire to cooperate with the Caribbean, stating "We are not here to sell you anything, we honestly want you to help you become ethanol producers and exporters because we cannot meet projected world demand by ourselves."

PetroCaribe

¶10. While acknowledging that PetroCaribe is not a substitute for long-term planning, Jamaican Foreign Minister Hylton claimed it is a short-term option that provides "breathing room" and relief to foreign exchange reserves. Though PetroCaribe was not an explicit central theme during discussion, press coverage focused on the initiative and Hylton's remarks. The overall structure of the conference did, however, address the crux of the PetroCaribe issue by advocating for long-term solutions to oil dependence over short-term fixes. In her remarks to the conference and in discussions with the press, DOE Assistant Secretary Harbert emphasized that PetroCaribe may hold appeal in the short run by appearing to provide some initial economic relief for governments but in the long term, it is an obligation that is carried on the government books and that the taxpayers and citizens of these nations will have to repay. Harbert also noted that Venezuela's oil deals do not affect the retail prices of petroleum products, so PetroCaribe is not providing any relief for consumers.

PORT OF SP 00001372 003 OF 003

¶11. COMMENT: Caribbean officials initially expressed disappointment that the U.S. had not arrived with ready-made solutions and funding. However, by the end of the event our message - that sustainable solutions would come from each country putting together the structures and policies that encourage the private sector to invest - seemed to have greater resonance. Companies reported good access to decision makers. Many of the small alternative energy firms reported good progress with ministers in raising interest and awareness for their services, as well as having gleaned much useful information on how to penetrate Caribbean markets. Caribbean governments now need to take further action to encourage the growth of renewables. Though skeptical to a degree, the ministers were eager to learn more about how to proceed and to better understand the social and economic benefits and challenges that come with alternative energy resources and biofuel production and use. The event underscored the need to build technical capacity in the region, in order to help understaffed and under-funded ministries take advantage of private sector interest and financing which currently stand just beyond their technical ability to access. The conference was a good first step in building a stronger relationship with Caribbean countries that are committed to improving their energy and economic security through a diversified energy portfolio. The USG should continue to press the importance of diversification of energy supply with Caribbean governments and to look for

practical ways and capacity-building options to assist the region.
End Comment.

[¶12.](#) DOE delegation members provided input for this report.

AUSTIN